

CIPFA Pensions Network Workshops

Managing Admitted Bodies Effectively

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Background

- Different types of employing bodies in LGPS
 - Scheduled
 - Transferee admission bodies
 - Community admission bodies
 - Resolution bodies
- Large and growing number of separate bodies

Background

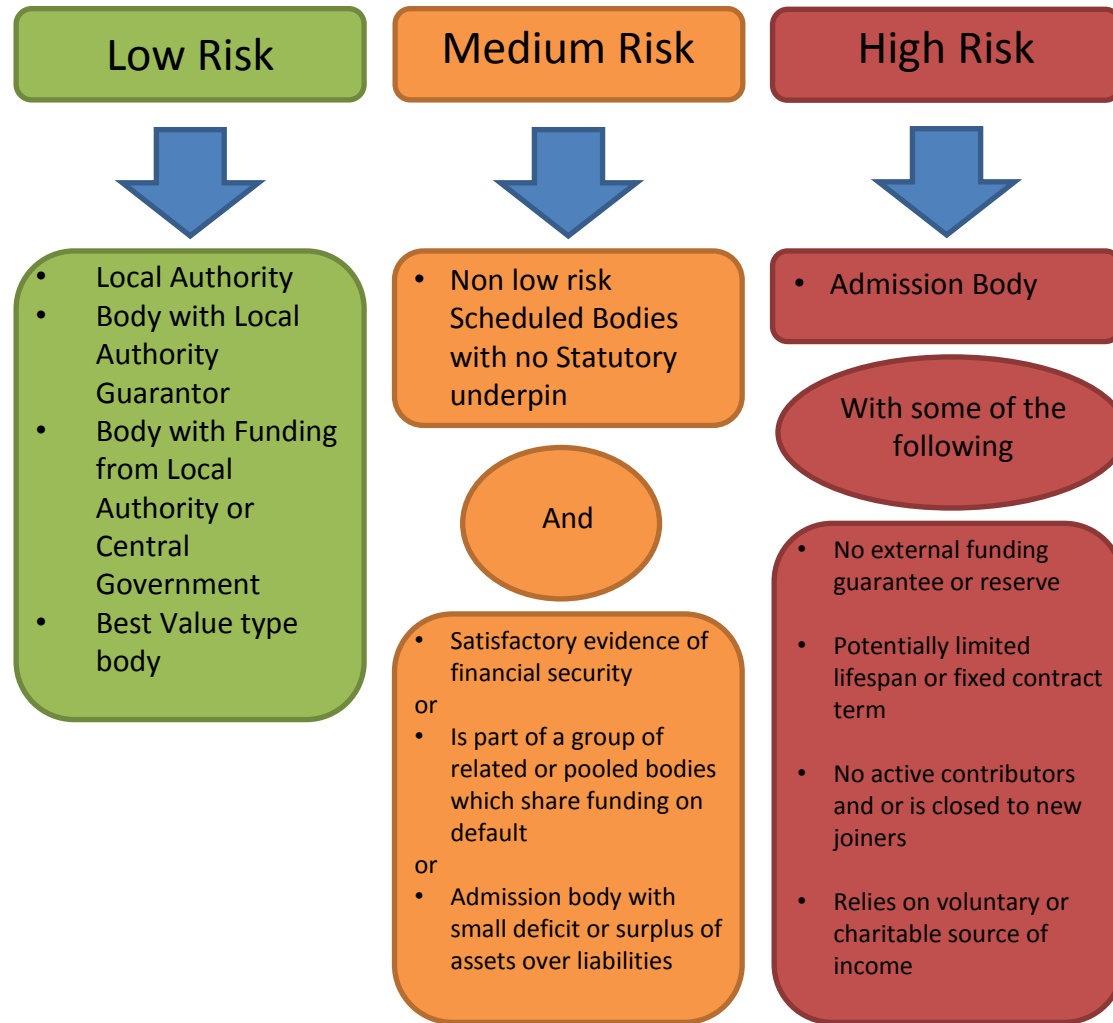
- Different characteristics (nature of business, public authority or body providing a public service)
- Change of public sector financial climate
- Risks are growing and need managing
 - Changing employer covenant strength
 - Terminations
 - New admissions



Employer Covenant

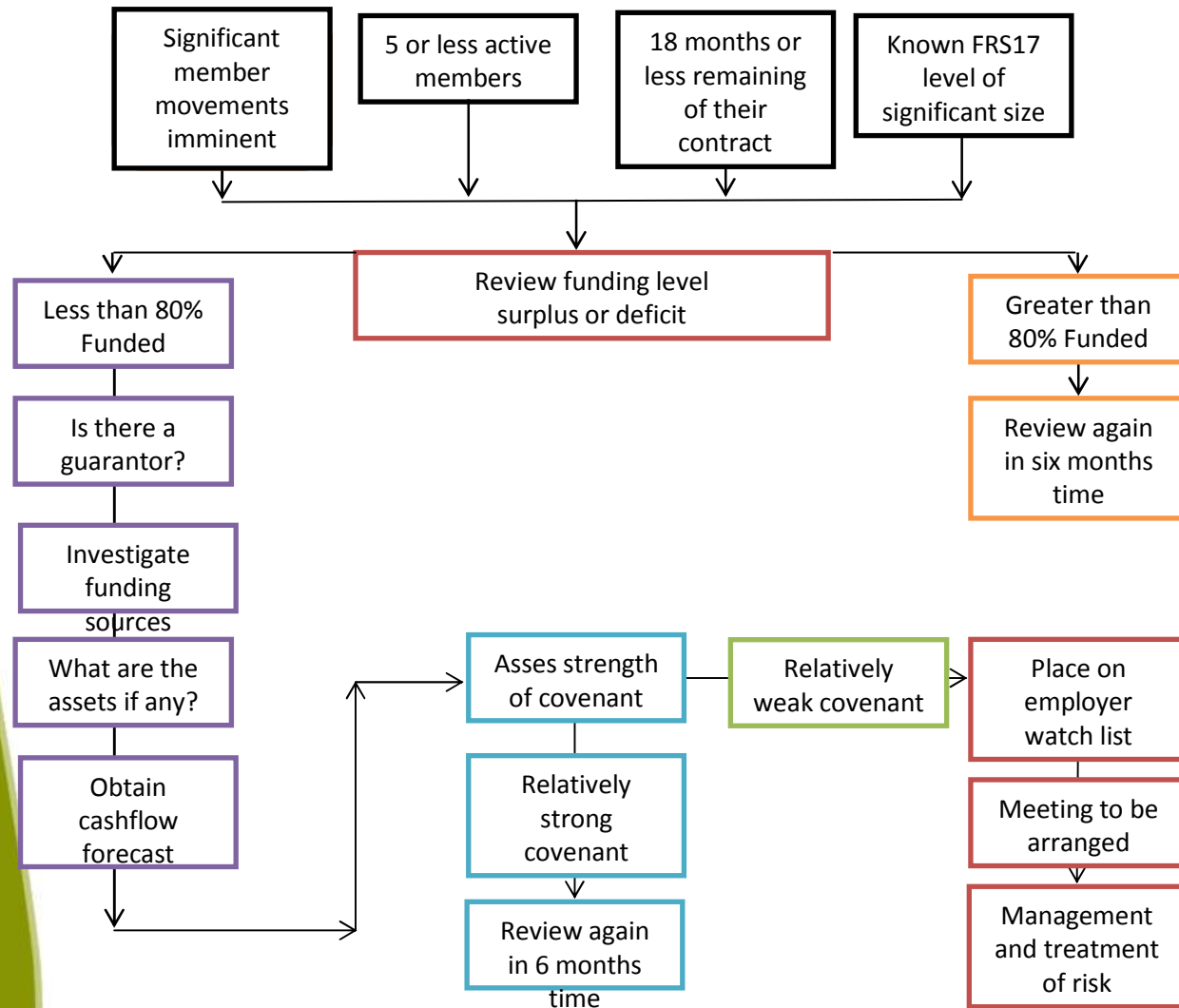
- Need a risk evaluation based approach in order to identify and manage covenant risks:
 - Low Risk
 - Medium Risk
 - High Risk etc

Employer Covenant



Funds need a risk based approach

Employer Covenant - Monitor



Need to monitor employer covenant risks and take action if necessary

Employer Covenant

- Managing Covenant Risks
 - Compile risk register – identify and know risks
- Mitigate risks, e.g.
 - Bond or guarantee
 - Shorten deficit recovery period
 - Seek contingent assets
 - Phase employer contribution increases



Employer Covenant

- Employer reduces future liabilities
- Share risks in outsourced contracts:
 - Fix costs for contractor
 - Cap and collar
 - Pass through to contracting body
 - Grouped
 - Risk attribution

Employer Covenant

- Independent review of finances and governance
- Insurance buy-in
- Advise employing body of issues at a senior level
- Give guidance on what employer action causes pension strain costs
- Robust admission arrangements
- HM government – The Compact

Termination Risks

- Keep under review the admission terms and any guarantees (keep guarantor informed)
- Risks managed through published termination policy:
 - Funding basis
 - Triggers for action
 - Timescales for action

Termination Risks

- Triggers for a termination e.g.
 - Contract for an outsourced service ends
 - Admission agreement (open or closed) with no remaining active members
 - Winding-up, insolvency or cessation of employer



New Admissions

- Understand risks from the start
- Include mitigation measures at the start

Case Studies

- Parish Council – ill health impact on precept
- Winding-up of an admitted body
- Insurance buy-in
- Outsourced contracts – contracting authority responsible for pension deficit versus contractor responsible

Questions?

